

THE STATE OF THE NATION

Remarks by Congressman Jim Greenwood before the Central Bucks Chamber on the eve of the convening of the first session of the 108th U.S. Congress

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As we approach a new year and as the nation's leaders prepare for the first session of the 108th congress which convenes on January 7th, Vail and I thought that this morning would be a good time to take stock of the state of our nation and to contemplate not only where we are, but also what challenges and opportunities lie before us.

To begin: just who and what are we? The demographer's answer is that we are a nation of 285 million people occupying roughly 6 percent of the earth's surface, while comprising less than 5% of the planet's 6 billion souls. Increasingly, we represent a declining portion of the world's population . This trend will only accelerate, since the global population is growing at 18% each year, while the united states' growth rate is 1% ---- with most of that resulting from expected immigration. It is projected that another one billion people will join us on planet earth by the year 2015. As for the United States, roughly 70 % percent of our population is made up of non-Hispanic whites; 12% are African American; another 12% are Hispanic; and 4% are Asian.

We are not the richest nation on earth. Using an economic tool known as the purchasing power parity index, the citizens of Luxemburg can buy more goods per capita than we can. But we are second with about \$34,000 per year in purchasing power for every American man, woman and child.

Our economic growth slipped into negative figures for three quarters last year, reducing GDP by a half trillion dollars. It now appears that our economy has pulled out of that decline and will

post a respectable growth rate of more than three percent this year. The outlook for growth in 2003 and 2004 is 3.3% and 3.8% respectively

The stock market's phenomenal growth in the late 80's and early 90's was followed by an unsustainable dot.com and telecom bubble fueled by the "irrational exuberance" that Alan Greenspan warned of in the late 1990's. It was first deflated by the horrific events of 9/11. But it was the Enron and post-Enron scandals at WorldCom, Global Crossing, Tyco, Adelphia, ImClone and other companies that finally caused the inevitable bursting of the bubble.

The composite stock price index of the New York Stock Exchange dropped from \$600 to \$480 in less than a year. That is awfully bad news for the many investors who experienced real losses. But even out of that painful episode, some real good has come. The work of my oversight and investigation committee and other committees in the House and Senate in uncovering and examining the root causes of this debacle led to the sweeping reforms contained in the Sarbanes-Oxley legislation which will, I believe, go a long way toward restoring the integrity of our markets and investor confidence in the marketplace. And in the future, our 401k investments and other retirement funds will be safeguarded against this kind of reckless, fraudulent and criminal behavior.

Nonetheless, structural conflicts of interest in the stock market persist. Some analysts have clearly dissembled and in some instances lied about the true value of certain stocks, in order to gain underwriting business for their firms.

Too many corporate directors have protected management rather than investors to maintain personal business connections and perks. And the allocation of IPO shares to family and friends remains largely unregulated.

The federal government's impact on our nation's economy was also substantial. Last year, its cost of operation consumed 18% of our nation's GDP. That is down from the 21.5% of the GDP it consumed ten years ago when I was first elected to congress. Still, even that reduced share of our nation's wealth brought in \$2.1 trillion last fiscal year, of which we spent \$1.86 trillion. For the third

straight year we ended the fiscal cycle with a surplus. In fiscal year 2001 alone the surplus totaled \$127 billion.

The triple whammy of the terrorist attacks, the stock market decline and the war in Afghanistan wreaked havoc with our best-laid plans to keep the federal budget in black ink. And, depending upon your choice of economic schools, you can either add the Bush tax cuts to the list of reasons for the deficit or thank them for stimulating the economy out of recession.

Whatever we may deem the causes, we will close this year's books with a \$157 billion deficit and, using estimates from the congressional budget office, probably won't get out of the red until 2006, assuming no major wars or disasters – an assumption not easily discharged. We could, based again on CBO projections, enjoy a record half- trillion-dollar surplus by 2012. If we do, it will probably be the longest period during which current projections have proven to be true.

Unfortunately much of this projected surplus will come from money borrowed from the social security accounts, whose mounting trillions in federal I.O.U.'s will begin to come due early in the next decade.

So where does all this money come from, where does it all go, and what are we getting for it?

Forty-three percent of federal revenues come from the individual income tax. Twenty-six percent is raised from indirect business taxes. Twenty-four percent is derived From social insurance contributions (i.e. Social Security and Medicare taxes) while 7% accrues from taxes on corporate profits.

How do we spend \$2.1 trillion? The largest slice of the pie (22%) goes to pay social security recipients. Forty-five million retired or disabled Americans and in some cases their spouses and children receive monthly checks in the mail that total over \$400 billion a year. We spend another \$200 billion to pay for the medical expenses of these older and handicapped Americans. That's about a third of the budget. Adding in Medicaid and other means-tested welfare entitlements and payments to military veterans (2.6 million of them) their dependents and survivors, and the 5 million or so collecting unemployment benefits, accounts for more than 55% of the federal budget.

Quite simply, over a trillion tax dollars is spent each year on transfer payments to our fellow countrymen who are too old, too disabled or too unemployable to fend for themselves.

The monster under the bed is the baby boom retirement. Just when we're ready to trade our brief cases for tackle boxes and knitting needles the bottom falls out of the worker-to-retiree ratio. As things now stand, we will have to raise payroll taxes, reduce benefits, delay retirement or transform the system to include private retirement investment options to make the math work. In fact, to insure that the social system remains solvent, we may need to apply portions of all of the above remedies. And our time to do so is running out.

Six percent of our federal outlays go to pay the interest on the nation's debt. Twenty percent of the budget (about \$400 billion) accounts for the so-called non-defense discretionary spending that finances the operations of the departments of agriculture, commerce, state, justice, interior, energy, labor, health and human services (which includes the national institutes of health, the food and drug administration, the centers for disease control), and the departments of education, transportation, housing and urban development.

The operations of congress itself as well as the federal court system, including the Supreme Court, are also included in this portion of the budget. It also represents what many of us think of when we think of the United States government.... The FBI, the national parks, food inspection, drug safety, environmental protection and our national monuments.

In 2002 we spent 17% of our federal budget on defense. That's about \$318 billion. In the coming year, that amount will be increased by roughly \$37 billion, although the share of the federal budget that represents will remain constant. About a third of the defense budget goes to pay the salaries and benefits of the 1.4 million men and women on active duty and the one and a quarter million reservists. More than 250,000 of our soldiers, sailors, airmen and marines are deployed overseas. We have 66,000 soldiers in Germany, 36,000 in South Korea, 7,000 in Saudi Arabia, 6,000 in Bosnia and 4,000 in Kuwait.

A substantial number of these patriots are stationed at sea on one of the more than 300 naval vessels in our combined fleets.

As an example, our aircraft carriers alone are each manned by 6,000 sailors. There are 12 of these in our arsenal. They serve as the most visible symbol of the projection of America's power, might and will.

They are each equipped with 80 aircraft. I can tell you from first hand experience that they are truly awesome technological marvels. That enormous power is harnessed by the dedication, of the capable and courageous men and women who serve on them. I can assure you that they all have, "the right stuff". We have budgeted \$3.8 billion to build a thirteenth carrier.

Beneath the oceans' surface more than 75 U.S. Submarines prowl the sea depths. Three of these are the ultra-modern and ultra-expensive sea wolf class, which cost more than \$2 billion each to build. These silent sentinels are armed with ballistic missiles and nearly two thirds carry nuclear warheads. Each of these vessels is home to 130 "submariners", a special breed, who often serve long uninterrupted months at sea safeguarding our liberties.

As for strategic aircraft, there are seventy-four B-52 bombers, ninety B-1's and twenty-one stealth B-2's whose mission is to attack those who choose to go to war with us. And should Congress and the President call this nation to war, we have over 2,000 tactical jet fighters at the ready, on land and sea, to deal with those who threaten our freedom.

Today, the United States armed forces possess seven thousand, one hundred nuclear-armed missiles, residing in silos, submarines and strategic bomber bays around the globe. That's eleven hundred more than the Russians have.

In many ways, these weapons are relics of the cold war...a war in which democracy eventually triumphed.

But, especially in the wrong hands, their mere possession is extraordinarily destabilizing. Their use would be catastrophic. So it is welcome news that, on May 24th of this year, Presidents

Bush and Putin signed the treaty of Moscow, which established a protocol that will lead to a dramatic 70 % reduction of these stockpiles over the next ten years.

During the cold war, Americans could take some comfort that our vast ballistic missile system, tactical bombers and nuclear submarines would deter an attack from the Soviet Union. But today Americans and their children don't lose sleep contemplating mushroom clouds on the horizon, but rather airplanes transformed into weapons, stinger missiles at the end of the runway, anthrax in the mailbox or truck bombs at the office.

The new war against terrorism will be waged at home as well as abroad. The constitutional imperative of the national government is to keep faith with America's patient but determined resolve by marshalling the resources needed to wage and win this war.

Of the many steps we have taken to improve our security and safety, the newly created Department of Homeland Security with our former governor Tom Ridge at the helm, is the most visible.

The responsibilities of new secretary will be many and great. It will include taking complete charge of immigration, a recognition by Congress and the President that our ability to secure our borders and enforce our laws is not just about fairness and our ability to absorb new citizens and visitors, but is, in fact, vital to our safety.

Intelligence gathered overseas by the CIA and domestically by the FBI will be shared with and coordinated through secretary ridge. A new homeland security *advanced research projects agency* will coordinate scientific endeavors designed to enhance our abilities to gather intelligence and better protect us from diabolical acts of terror, without trampling on our deeply cherished and constitutionally safeguarded individual liberties.

The department will work with private sector entities to protect our critical infrastructure, including telecommunications, electrical power grids, transportation nodes, food and water supplies

and the Internet. And it will dramatically ramp up our public health system and the ability of other first responders to deal with an attack.... An issue with which I have been deeply involved. I have also focused my attention on speedily deploying state-of-the-art technology to our airports, seaports and international road and bridge points of entry that will enable us to detect and thwart any attempts to smuggle radioactive materials into our country.

The operation and direction of the coast guard will move to the department of homeland security as well and its mission will be broadened to specifically protect us from terrorists and their weapons.

In two days the Iraqi government is required to provide the United Nations inspectors with a full and accurate accounting of their chemical, biological and nuclear weapons and weapons development programs. They are, admittedly faced with two unpalatable diplomatic choices. Should Saddam Hussein acknowledge such capacity, he will stand accused of a previous subterfuge. If he denies having any such weapons or programs to develop them, he will be accused of lying. Despite volumes of heated rhetoric to the contrary, I do not believe that President Bush wants to go to war with Iraq. As Winston Churchill, a man not known for pacifist sympathies, once observed, unless forced by necessity, "it is always better to jaw, jaw than to war, war."

I believe that the president's near term objective is to fully discredit Saddam as a means of achieving our long-term goal, which is to disarm him.

I also believe that Mr. Bush's hard-line rhetoric has been designed to impress Saddam that his choices are stark: disarm or be removed from power. And I believe he will blink. Why is this worth going to the brink and perhaps even over the brink?

On September 11th, 2001 everything changed for this nation.

It is important to remember that the September 11th attack was the last in a series of increasingly disturbing terrorist assaults on our nation. The first bombing of the world trade center

occurred in 1993. In 1996, nineteen us servicemen were murdered when the Khobar towers housing complex was bombed in Saudi Arabia.

In august of 1998 Al-Quada bombed our embassies in Kenya and Tanzania killing 224 innocent people, including 12 Americans. On October 12th, 2000 they attacked the U.S.S. Cole killing 17 sailors and injuring 39.

But on that bright September 11th morning, our generation's "day of infamy", our losses were so traumatic, so jarring, so tragic, so senseless and so great, that the president, the congress and the American people vowed to do all in our power to prevent another – potentially more devastating – attack. And on that fateful day, we came to understand that, like our parents before us, we too had, "a rendezvous with destiny."

We have come to the realization that we cannot simply monitor terrorist organizations and attempt to block their attacks. We have an infinite array of vulnerabilities.

Terrorists living among us can use truck bombs to blow up buildings, chemicals to poison our subways, radioactive "dirty bombs" to virtually permanently contaminate whole portions of our cities, and viruses to kill us in mass numbers. They can attack our nuclear power plants, our chemical factories, our airplanes, and trains and cruise ships or our nursery schools. And make no mistake - they want to do all of the above.

Our resolution to stop them must be constant, focused and unswerving. This requires a policy of zero tolerance for terrorists, for those who harbor them and for those, like Saddam Hussein, who defy the United Nations in an incessant drive to acquire weapons of mass destruction that could – one way or another- fall into the hands of terrorists.

There are those who argue that a military conflict with Iraq will inflame the Arab street, already programmed by the most virulent propaganda to believe that the united states is engaged in an anti-Muslim crusade, despite all evidence to the contrary. As I mentioned earlier, we still have

6,000 troops in Bosnia and many more in Afghanistan largely engaged in protecting the Muslim population.

Nevertheless, while I share some of this concern, I am also mindful that this same argument was made before we went into Afghanistan. We were not intimidated. Today the struggle in Afghanistan goes on. But the country has been liberated from the Taliban. Osama bin Laden is either dead or shivering in a cave. His training camps and soldiers decimated.

The greatest power on earth, the world's essential nation cannot allow itself to be cowed by the actions of madmen.

There are those who argue that the source of the terrorists' rage against the United States is our unqualified support of Israel. They would have us alter our policy to assuage their anger. We do support Israel. Ours was the first nation in the world to recognize the state of Israel. We supported the Israelis because we understood and admired their valiant fight to establish a secure homeland after the holocaust.

We support Israel today because it is the one true bastion of democracy in a dangerous neighborhood crowded with dictators. We support them because they have proved faithful allies in protecting America's vital interests in a region critical to our own national security.

But our support is not unconditional. We stand for the right of the Palestinians to live in a sovereign nation with boundaries that fairly reflect their historical integrity. I personally believe that eventually the settlers and settlements will have to be relinquished----not as the price of peace-----but as part of a broader compact that will enable Palestinians and Israelis to live peaceably as neighbors.

No nation has worked harder or more consistently or devoted more of its treasure to find peace in the Middle East than ours. If radical Islamic fundamentalists don't like the present pace of this complex process, they are free to use their hearts and minds to bring about a more rapid result.

The moral imperative in all this, it seems to me, is to create a world where those who choose to murder innocent men, women and children in a perverse effort to influence the political process, will know that they do so at the cost of their own lives.

In the long run there is only so much we can do to arrest and prosecute terrorists and to thwart the efforts of those we do not apprehend. The real battle is about information. The imams and extremists who poison the minds of their impoverished, ignorant, misguided and increasingly desperate followers are not engaged in a struggle for geopolitical map-making. They are largely Wahabi religious radicals whose fundamental principle is that anyone who does not practice their fanatical brand of Islam is an infidel who deserves to die. To them, the plight of the Palestinians is only a tactical convenience employed to incite suicidal and homicidal rage.

If political oppression of Arabs or Muslim were truly their cause, then their enemies would be Saddam Hussein, the radical clerics of Iran, or the other non-elected oppressive dictators of the region. But, in fact, their cause is racial and religious domination and movements such as theirs can never be reasoned with.

Instead, our challenge is to overcome their message with one that celebrates tolerance, racial and cultural diversity and that resonates with hope. We must employ every medium of the information age: television, print, radio, video, and the Internet to win the war against hate-mongering propaganda.

While the war on terrorism may be our most critical challenge, it will be only one of many that we, our children and our grandchildren will confront

Making room for and providing a decent standard of living for another one billion humans on this planet will not be easy. Famine and the struggle to find potable water will persist and may even increase over the next decade.

Technology will continue to provide sources of hope and despair. Biotechnology will soon offer health care provided at the cellular level. Therapeutic cloning will be able to repair spinal and

brain injuries as well as cure a host of cruel diseases that have plagued us for centuries. But we will be challenged by the task of educating the public as to the true nature of these processes or risk loosing them to fear and the rigid dogmas of the past.

Our economy will become increasingly networked into every other in the world. This process of globalization will bring the economic efficiency necessary to lift increasing numbers of third world young people from poverty. But it will also create culture shock and economic losers as well as winners. Our challenge will be to peacefully facilitate the processes of adjustment.

China will continue to be a giant on the world stage. If china fails to match its economic growth with political reform, it could become a monster by virtue of its instability or its aggression. We must remain engaged and firm in our commitment to both economic and individual liberty. Similarly it is in our interest that Russia move further along the path of growth and democratic maturity.

Greenhouse gasses, desertification, endangerment of species and habitat, and loss of coral reefs, will strain our fragile biosphere. Our best scientists and policy makers must be devoted to the protection of the global environment, ever mindful, that our future is most intimately tied to mother earth.

This then is my survey on the state of our nation from my vantage point as your congressman. And this is my conclusion.

Like every previous generation of Americans, we have good reason to be hopeful. The state of our union is strong. We remain the richest, most powerful, nation in the history of the world. Our people are the world's most resourceful and optimistic...and productive.

We may not accomplish all the things we set out to do. There are many ways that we can – and very well may – fail.

But with faith in our fundamental devotion to liberty and equal justice, with faith in one another and with faith in the basic goodness of god's creation, in both failure and success, we will find the strength to complete all the important work we have been called to do. And in doing that, we will mark a bright path to the world's future for those who follow.

Thank you. And may god bless America.